

**Internal Control Assessment
Federal Tax Refund Offset Program (TRO)**

Purpose

To ensure that FSA's internal control policies and standards regarding the use of the Federal Tax Refund Offset Program (TRO) comply with policies established by OMB Circular A-129 and the Debt Collection Improvement Act of 1996.

Background

In accordance with OMB Circular A-129 and the DCIA, FSA must refer debts more than 180 days delinquent to the Treasury Department for offset of tax refunds through the Federal Tax Refund Offset Program (TRO). The TRO is a collective effort between Federal agencies, the Internal Revenue Service (IRS) and Treasury's Financial Management Service. Under the program, the IRS withholds payment of a debtor's income tax refund up to the amount of the debt, and remits that portion to FSA. All debt owed to FSA, whether individual or business, will be referred to the IRS for tax refund offset when:

- The debtor has a valid Social Security or Employer Identification Number;
- All other available debt collection tools and techniques have been exhausted;
- The total amount of the debt, excluding interest and penalties, is at least \$100 for consumer debt and \$350 for commercial debt;
- The debt is at least 90 days past due;
- The debt is valid and legally enforceable;
- The debt has been reported to consumer or commercial reporting agencies; and
- The 10 year Statute of Limitations has not expired; and
- The debtor has been provided with 65 day advanced written notice of the Department's intent to offset and given the opportunity to dispute or resolve the debt.

The Notice of Intent must provide the debtor 65 calendar days written notice of the Department's intent to request that IRS withhold payment of the debtor's income tax refund. To be considered a reasonable attempt to notify the debtor, written notice must be sent to the debtors address obtained from IRS, unless there are specific instructions from the debtor to use a different address. The Department must have obtained the address not more than one year preceding the mailing of this notice.

Internal Control Standard

FSA must refer debts more than 180 days delinquent to the Treasury Department for offset of tax refunds through the Federal Tax Refund Offset Program (TRO).

Assessment of FSA's Compliance^{*}

We held several meetings with FSA staff and determined that delinquent debts were being forwarded to the IRS to be recovered through the TRO.

^{*} The actual testing phase including interviews and examination of sampled records has not yet occurred. This write up is only a sample of what may be discovered during the testing phase of the FMFIA process.